

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

ILLINOIS INDEPENDENT TELEPHONE ASSOCIATION	)	
	)	
Petition for initiation and investigation of the necessity of and the establishment of a Universal Service Support Fund in accordance with Section 13-301(d) of The Public Utilities Act.	)	Docket No. 00-0233
	)	
	)	
	)	Cons.
ILLINOIS COMMERCE COMMISSION	)	
On Its Own Motion	)	
	)	
Investigation into the necessity of and, if appropriate, the establishment of a universal service support fund pursuant to Section 13-301(d) of the Public Utilities Act.	)	Docket No. 00-0335
	)	

REBUTTAL TESTIMONY  
OF  
WILLIAM E. FLESCH  
  
ON BEHALF OF  
GRIDLEY TELEPHONE COMPANY

June 12, 2001

OFFICIAL FILE

ILL. C. C. DOCKET NO. 00-0233/0335  
Gridley Tel Co. EXHIBIT NO. 4.0  
WITNESSES \_\_\_\_\_  
Date 6-19-01 Reporter CB

1   **Q.   Please state your name and business address.**

2   A.   My name is William E. Flesch. My business address is 108 East Third Street, Gridley,  
3       Illinois 61744.

4  
5   **Q.   Did you file Direct Testimony in this docket?**

6   A    Yes.

7  
8   **Q.   What is the purpose of your rebuttal testimony?**

9   A.   I am presenting Exhibits 4.0 and 5.0, which are revised versions of exhibits presented  
10       with my direct testimony filed on April 20, 2001. During the review process preceding  
11       the filing of our interstate access rates on June 18, 2001, we made minor changes that are  
12       now reflected in the revised exhibits. I will also address comments made by Staff witness  
13       Bill L. Voss and Judith R. Marshall regarding Gridley Telephone Company's Earnings  
14       Analysis. I will address comments made by Staff witness Jeffery H. Hoagg regarding  
15       Gridley Telephone Company's ability to recover universal service support reductions  
16       from other services. I will also address comments made by Mr. Hoagg regarding Gridley  
17       Telephone Company's HAI results and the effect Staff's proposal will have on local rate  
18       levels in Gridley Telephone Company's serving area.

19  
20   **Q.   Do you have any additional exhibits attached to your rebuttal testimony?**

21   A.   Yes. I am including Exhibits 6.0 and 7.0 with my rebuttal testimony.

22  
23   **Q.   Please summarize your rebuttal testimony.**

24   A.   I will refute the adjustments made to Gridley Telephone Company's earnings analysis by  
25       Mr. Voss and Ms. Marshall. I will explain that Gridley Telephone Company is not  
26       seeking state universal service support for our state special access service. I will

1 reemphasize that Gridley Telephone Company will have a substantial decrease in its state  
2 revenues as of July 3, 2001 due to the state mandated mirroring of our interstate access  
3 rates, and that this rate reduction will make it virtually impossible for the company to  
4 earn the 11.21% total company return agreed to in this docket without continued state  
5 universal service support. I will discuss why Staff's use of the company specific HAI  
6 model results developed with Staff sanctioned inputs to totally eliminate Gridley  
7 Telephone Company's state universal support is arbitrary and unsupportable.

8  
9 **Q. What do your Exhibits 4.0 and 5.0 show?**

10 A. Exhibit 4.0, Schedule 4.01 shows the effects of the changes on Gridley Telephone  
11 Company's Earnings Analysis based on year 2000 actual results adjusted for certain  
12 known and measurable changes. Exhibit 5.0, Schedule 5.01 shows the calculation of the  
13 effect of the intrastate switched and special access rate change on state revenues. Exhibit  
14 5.02 contains the revised state access tariff sheets that will be filed with an effective date  
15 of July 3, 2001.

16  
17 **Q. Do the changes as presented change your company's stance regarding your initial  
18 testimony in any material fashion?**

19 A. No. The changes are minor and we are presenting them now so that the record in this  
20 proceeding may be as accurate as possible.

21  
22 **Q. Mr. Voss describes a \$51,930 adjustment to Gridley Telephones earnings analysis.  
23 What was the basis of the earnings analysis?**

24 A. The earnings analysis Mr. Voss adjusts is based on year 2000 booked data adjusted for  
25 known changes that will occur prior to the implementation of the proposed fund.

1 **Q. Please describe how Mr. Voss arrives at his amount.**

2 A. Mr. Voss utilized data that is available from the USAC website to calculate his \$51,930  
3 adjustment. Mr. Voss used data for all four quarters of 2000 and the first two quarters of  
4 2001. His adjustment is based on the difference between the total of LTS, LSS, and  
5 HCLF for year 2000 and the first two quarters of 2001 annualized.  
6

7 **Q. Did Gridley Telephone also calculate an amount for this adjustment?**

8 A. Yes, as Mr. Voss states in his testimony, Gridley Telephone also calculated an adjustment  
9 to revenues for changes to HCLF support revenue and determined the adjustment should  
10 be \$30,681.  
11

12 **Q. Do you still believe \$30,681 to be the correct adjustment?**

13 A. No. Using information from the USAC web site, we have calculated that the adjustment  
14 should be \$30,117.  
15

16 **Q. How did you calculate this amount?**

17 A. I subtracted \$27,459 that is the amount of HCLF support recorded in Gridley Telephone  
18 Company's 2000 results from the \$57,576 amount USAC shows as the amount of HCLF  
19 support Gridley Telephone Company will receive in 2001. I used our 2000 booked  
20 amounts as the basis for my adjustment since we are calculating revenue adjustments to  
21 booked amounts. Using the USAC reported amount for 2000 is inappropriate since that  
22 amount is not reflected in the 2000 results of Gridley Telephone.  
23

24 **Q. Why did you not utilize the differences in LSS and LTS support?**

25 A. Mr. Robert Schoomaker will address why the IITA companies think it is inappropriate to  
26 include changes in LSS and LTS support funding in this analysis.

1  
2 **Q. Why do the USAC amounts for HCLF support for year 2000 differ from the**  
3 **amounts shown on Gridley Telephone's books for year 2000?**

4 A. Revenue flows from NECA and USAC are adjusted as those organizations true up past  
5 periods with better data. The amounts as reflected in Gridley Telephone's year 2000  
6 booked results reflect the actual revenues as received from USAC. Adjustments made by  
7 USAC to year 2000 results subsequent to the closing of Gridley Telephone Company's  
8 books will be reflected in a later period.

9  
10 **Q. Please summarize the position taken by Ms. Marshall.**

11 A. Ms. Marshall proposes to change the earnings analysis presented by Gridley Telephone  
12 by removing the effect of the state access tariff filing that will occur on July 3, 2001. She  
13 claims that Gridley Telephone is seeking support for special access services from the  
14 proposed state universal service fund.

15  
16 **Q. In Ms. Marshall's testimony, does she dispute the fact that Gridley Telephone**  
17 **Company will experience a reduction in state access revenues as a result of the July**  
18 **3, 2001 filing?**

19 A. No. She is stating that the effect of this filing should not be used in Gridley Telephone  
20 Company's Earnings Analysis.

21  
22 **Q. Do you agree with Ms. Marshall that the state revenue decrease that Gridley**  
23 **Telephone will begin to incur on July 3, 2001 should not be included in the**  
24 **calculation of the company's revenue deficiency for the purposes of this proceeding?**

25 A. No, I do not. The original agreement between Staff and IITA allowed for a simplified  
26 earnings analysis based on actual 2000 financial results. The Staff also agreed that

1 certain types of quantifiable changes occurring prior to the implementation of the  
2 proposed state universal service fund should be allowed in order to more accurately  
3 reflect a company's need for support at the time of fund implementation. The Staff  
4 agreed to a list of five adjustments that were deemed appropriate. Other types of  
5 adjustments would be subject to challenge by the Staff. This agreement is discussed in  
6 detail in the Supplemental Direct Testimony of Robert C. Schoomaker and the standard  
7 adjustments are listed in IITA Exhibit #3, Attachment 3. The adjustment Ms. Marshall  
8 seeks to disallow is consistent with Standard Adjustment #2 – Normalization for  
9 Approved Regulatory Changes and is necessary to reflect the impact this state mandated  
10 revenue change will have on the company.  
11

12 **Q. Is Gridley Telephone Company seeking state universal service support for special**  
13 **access services as Ms. Marshall purports?**

14 A. No we are not. Special access is not a service included in the list of supported services  
15 for which the IITA is seeking universal service support as stated in the testimony of Mr.  
16 Schoonmaker. As stated above, the company has presented the results of our July 3,  
17 2001 access rate filing for both switched and special services, completed under the  
18 current rules of the FCC and ICC, as an adjustment to year 2000 results in order to more  
19 accurately reflect the financial position of Gridley Telephone at the time of the proposed  
20 state universal service fund implementation. Staff and IITA agreed to this process as the  
21 method for companies to complete their earnings analyses. By disallowing this change,  
22 the estimated revenues proposed by Ms. Marshal for Gridley Telephones Company's  
23 earnings calculation will be significantly higher than the actual revenues the company  
24 will earn after implementation of the state universal service fund. This significant  
25 overstatement of revenues will cause Gridley Telephone Company to earn substantially  
26 less than the 11.21% return on regulated rate base as previously agreed to by Staff.

1  
2 **Q. Since you do not agree with Ms. Marshall's recommended disallowance of the**  
3 **Company's proposed adjustment for special access revenue decreases, how has this**  
4 **been reflected in the Company's earnings analysis?**

5 A. While I strongly disagree with Ms. Marshall's recommended disallowance of this  
6 adjustment, I have revised my calculation for another reason. I agree with the  
7 methodology that Ms. Marshall uses on Staff Exhibit 14.0, Schedule 14.02. Gridley  
8 Telephone Company Exhibit 5.0, Schedule 5.01 shows my revised calculation. As Ms.  
9 Marshall has recommended, my calculation compares the special access revenues from  
10 the Company's year 2000 results to the special access revenues based on the access rates  
11 which will be effective July 3, 2001. As I mentioned previously, I have revised the  
12 access rates which will be effective on July 3, 2001, and these rates are shown on Gridley  
13 Telephone Company Exhibit 5.0, Schedule 5.01. This same approach has been used for  
14 switched access revenues on Gridley Telephone Company Exhibit 5.0, Schedule 5.01.  
15 The revised adjustment amount shown on line 32 of this exhibit for switched and special  
16 access is a reduction of \$251,223. This amount has been included in the adjustment  
17 column on the Company's revised earnings analysis which is Gridley Telephone  
18 Company Exhibit 4.0, Schedule 4.01, Page 1, line 14.

19  
20 **Q. Mr. Hoagg suggests at line 60 of his Rebuttal Testimony that companies can recover**  
21 **some of the lost revenue from Staff recommendations from raising rates on other**  
22 **services such as special access. Why has Gridley Telephone lowered its state special**  
23 **access rates?**

24  
25 A. As I've stated, Gridley Telephone has lowered its rates due to ICC mandated mirroring of  
26 interstate rates. The filed rates mirror the results of an interstate reduction. Mr. Hoagg

1 suggests that we can raise more revenue from special access. Under the mirroring  
2 standard, Gridley Telephone cannot change its intrastate access rates for any service  
3 unless it mirrors an interstate rate developed under prescribed FCC embedded cost  
4 methodology.

5  
6 **Q. What sources are available to the company for increasing its intrastate revenue?**

7 A. There are basically three sources of intrastate revenue available to Gridley Telephone.  
8 These sources are our access customers, our local subscribers, and intrastate universal  
9 service support. As I stated previously, we have no discretion under mirroring to raise  
10 our state access rates. So that leaves local subscribers and universal service support as  
11 the remaining sources

12  
13 **Q. Staff has suggested that Gridley Telephone Company could raise its local rates to**  
14 **“an affordable rate” to help offset some of the lost revenue from other mandated**  
15 **reductions. Please explain Gridley Telephone Company’s position on local rate**  
16 **increases.**

17 A. Gridley Telephone Company simply does not have enough customers from which to  
18 recover the amount of revenue loss the Staff is proposing without raising the local rate far  
19 above the level of the affordable rate proposed by Staff. The data as submitted in this  
20 proceeding shows that Gridley Telephone Company has 1,441 access lines. This level  
21 fluctuates slightly each month but is relatively stable. We can estimate that for each  
22 additional dollar Gridley Telephone Company raises its monthly basic service rate, the  
23 company will generate an additional \$17,292 in annual revenue, until the rate gets so high  
24 that the number of subscribers starts to decline. Gridley Telephone Company’s revised  
25 Exhibit 4.0, Schedule 4.01, which is the revised earnings analysis, reveals a funding



1 deficiency of \$514,219. If this deficiency were replaced solely by a local rate increase,  
2 subscribers would have to pay about \$59.82 per month for access to supported services.

3  
4 **Q. What level of basic local service charges do Gridley Telephone subscribers pay**  
5 **today?**

6 A. Exhibit 6.0, Schedule 6.01 shows the level of charges paid today by our subscribers. The  
7 charges range from \$28.87 to \$33.55.

8  
9 **Q. Why are the amounts different than the amount in IITA Exhibit #2, Attachment 5**  
10 **that is included with the Direct Testimony of Mr. Robert Schoomaker filed on**  
11 **March 23, 2001 that shows Gridley Telephone Company's proposed affordable rate**  
12 **of \$21.90.**

13 A. The amount in that exhibit includes only the average of our business and residential local  
14 service rates and the Illinois Subscriber Line Charge. As you can see from Exhibit 6.0,  
15 Schedule 6.01, our McLean County and Livingston County residential customers  
16 currently pay \$28.87 and \$29.12 respectively for access to the proposed supported  
17 services. Our McLean County and Livingston County single line business customers  
18 currently pay \$30.53 and \$30.78 respectively. Our McLean County and Livingston  
19 County multi-line business customers pay \$33.30 and \$33.55 respectively.

20  
21 **Q. Do subscribers have the choice of not paying the additional charges other than the**  
22 **local rate and state SLC and still receive local service?**

23 A. No. The Federal SLC, E911 surcharge, Illinois TDD Relay Program Fees and applicable  
24 taxes must be paid on a monthly basis for the subscriber to maintain access to supported  
25 services.

1 **Q. Does Mr. Hoagg calculate a subscriber rate increase for Gridley Telephone**  
2 **customers?**

3 A. Yes. In Staff Exhibit 11.0 Attachment 2, Mr Hoagg proposes a maximum first year rate  
4 increase of \$5.12 for Gridley Telephone customers. If that were to take place, Gridley  
5 Telephone's McLean County and Livingston County residential customers will be paying  
6 \$33.99 and \$34.24 respectively for access to the supported services. Mr. Hoagg remains  
7 silent on the additional effects on local service rates of his further proposed support  
8 reductions. Mr. Hoagg proposes further reductions in the amount of \$215,735 to be  
9 phased in over the next four years. This amount is shown on Staff Exhibit 11.0,  
10 Attachment 1. If this amount is shifted to Gridley Telephone Company subscribers, the  
11 rate for local service will need to increase an additional \$12.48. This will increase the  
12 amount paid by Gridley Telephone Company's McClean County and Livingston County  
13 residential subscribers for local service to \$46.47 and \$46.72 respectively. These local  
14 rate levels reflect only the transition of the \$304,253 shown on Staff Exhibit 7.0,  
15 Schedule 7.18, page 1 of 2. This does not address the additional amount of the total  
16 earnings deficiency calculated by Gridley Telephone Company as shown on Exhibit 4.0,  
17 Schedule 4.01. The total amount of the earnings deficiency is \$514,219.

18  
19 **Q. How is Staff utilizing the results of their HAI analysis?**

20 A. Staff has chosen to accept company specific results from the HAI model to limit a  
21 company's ability to receive state universal service support. This use of the HAI results  
22 stands in contrast to the IITA proposed use of the model for developing a proxy result to  
23 be used in aggregate for the IITA companies as a group. Staff has used inputs in the  
24 model that produce results that the Staff claims show Gridley Telephone has no need for  
25 state universal service support. Due to this, the Staff proposes that the company

1 transitions to zero state universal service support. Mr. Hoagg describes this process on  
2 page 2 and 3 of his rebuttal testimony.

3  
4 **Q. Why does Staff propose a phase down of support for companies whose HAI results**  
5 **utilizing Staff's supported inputs show no need for support?**

6 A. Mr. Hoagg states at line 342 of his direct testimony that "However, in recognition of  
7 some legitimate concerns about over-reliance upon individual company HAI results (and  
8 to ameliorate any immediate undue adverse impacts upon individual IITA companies and  
9 end users). Staff does not advocate immediate reduction of eligibility to the amount  
10 indicated by HAI results alone."

11  
12 **Q. What is your interpretation of Mr. Hoagg's statement?**

13 A. I believe Staff is acknowledging that there are legitimate concerns that the HAI model  
14 does not work well for individual small, rural companies. I believe he is also saying that  
15 moving to its results over four years mitigates the fact that the results are questionable.

16  
17 **Q. Do you believe Staff's use of the HAI model is reasonable?**

18 A. No. If Mr. Hoagg and other parties acknowledge that there are legitimate concerns with  
19 the model, it is not reasonable to advocate their use for a specific company in any manner  
20 until these concerns are addressed. Advocating moving to a position that admittedly may  
21 be wrong over time is also unreasonable.

22  
23 **Q. How has the FCC addressed concerns related to Forward Looking Cost Models?**

24 A. The FCC adopted an order in CC Docket No. 96-45 on May 10, 2001 that addresses  
25 federal USF support for rural carriers. In this order, the FCC chose to utilize embedded

1 costs to calculate universal service support for the next five years. In the order at  
2 paragraph 177, the FCC states:

3  
4 *"Even those commenters who urge the Commission to move to forward-looking cost for*  
5 *rural carriers recognize that the Commission would need additional time to develop*  
6 *suitable rural input values. Because the Commission has not developed rural inputs and*  
7 *it is not possible to determine forward-looking costs for rural carriers at this time, we*  
8 *find that rural carriers should continue to receive support based upon their embedded*  
9 *costs while the five-year plan adopted in this Order is in place."*  
10

11 The FCC stated that during this five-year period various methodologies, including  
12 forward-looking cost models, will be evaluated. It seems reasonable that if any of the  
13 currently available forward looking economic cost models was capable of providing the  
14 FCC with an acceptable option for small rural telephone companies, the Commission  
15 would have proposed their use at this time.  
16

17 **Q. Does Gridley Telephone support another economic cost methodology to evaluate the**  
18 **company's need for universal service support?**

19 A. Yes. Gridley Telephone Company's proposal is addressed in detail in the Rebuttal  
20 Testimony of Mr. Michael P. Petrouske which is filed as Gridley Telephone Company  
21 Exhibit 8.0.  
22

23 **Q. Is the economic cost study you are presenting a forward-looking economic cost**  
24 **study?**

25 A. No, because of the position of the FCC with regards to forward-looking models, Gridley  
26 Telephone Company believes that no forward-looking cost methodology can provide a

1 rural carrier with accurate company specific results at this time. Therefore we are  
2 presenting the use of an embedded economic cost methodology.

3  
4 **Q. What is the result of your economic cost study?**

5 A. Our study produces an amount of \$624,430 as the amount of support that Gridley  
6 Telephone is eligible to receive. The calculation is shown on Gridley Telephone  
7 Company Exhibit 8.0, Schedule 8.01, Page 1 of 3, which is included with the rebuttal  
8 testimony of Mr. Michael P. Petrouske.

9  
10 **Q. What is the result of Gridley Telephone Company's earnings analysis?**

11 A. As mentioned previously, this earnings analysis shows a revenue deficiency of \$514,219.  
12

13 **Q. What is the combined affect of the adjustments proposed by Staff on the earnings  
14 analysis of Gridley Telephone Company?**

15 A. If the Commission accepts the adjustments of Mr. Voss and Ms. Marshall, the combined  
16 effect will result in a 3.96% rate of return at the level of the first year adjustment, and a  
17 negative 1.29% rate of return at the level of the last year adjustment. These calculations  
18 are shown on Gridley Telephone Company Exhibit 7.0, Schedule 7.01.

19  
20 **Q. What does Gridley Telephone propose as the most reasonable resolution in the  
21 current proceeding?**

22 A. The Commission should accept the IITA's proposal to use the HAI results with IITA  
23 provided inputs in aggregate for all companies as a proxy to meet the statutory  
24 requirement that each company must provide the economic cost of supported services in  
25 order to qualify for state universal service support. If the IITA's position is not accepted,  
26 the Commission should accept Gridley Telephone Company's alternative method of

**Gridley Telephone Company**

Exhibit 4.0

calculating economic cost on a company specific basis to meet the statutory requirement.

The Commission should then provide state universal service funding to Gridley

Telephone in the amount of \$514,219 as calculated in the company's earnings analysis.

**Q. Does this conclude your rebuttal testimony?**

A. Yes it does.

**Gridley Telephone Company**  
**Illinois Universal Service Funding Calculation**  
**Based upon ICC Form 23A Report Data for December 31, 2000**

<u>line</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>	<u>Adjustment</u>	<u>Adjusted Amount</u>
1	Net Regulated Plant	Form 23A, P 8, Net Plant	\$ 2,240,891	\$ 29,843	\$ 2,270,734
2	Materials and Supplies Inventory	Page 2, 13-Month Average	56,712		56,712
3	Customer Deposits	Form 23A, P 8, 4040	1,357	-	1,357
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			2,326,089
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 14, Total	2,160,506	-	2,160,506
8	Less: Depreciation Expense	Form 23A, P 13, 6560	601,265	-	601,265
9	Total WC Operating Expense	line 7 - line 8	1,559,241	-	1,559,241
10	WC OE Requirement	line 9 * 45 / 360			194,905
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			194,905
13	Total Rate Base	line 5 + line 12			2,520,994
14	Total Operating Revenues	Form 23A, P 11, Total	2,926,532	(221,106)	2,705,426
15	Less: Illinois High Cost Fund		586,344	-	586,344
16	Net Operating Revenues	line 14 - line 15	2,340,188	(221,106)	2,119,082
17	Total Operating Expenses	Form 23A, P 14, Total	2,160,506	-	2,160,506
18	Other Operating Inc and Exp - Net	Form 23A, P 15, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 15, 7240	11,472	-	11,472
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	168,210	(221,106)	(52,896)
21	Income Tax Expense	line 34			(20,491)
22	Net Operating Income	line 20 - line 21			(32,405)
23	Return on Rate Base	line 22 / line 13			-1.29%
24	After-tax Cost of Capital				11.21%
25	Target Net Operating Income	line 24 * line 13			282,603
26	Adj to Achieve Target Return on RB	line 25 - line 22			315,008
27	Gross Revenue Conversion Factor	line 35			1.6324
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			514,219
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			(52,896)
31	Illinois Inc & Rep Tax Expense	line 30 * 7.18%			(3,798)
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			(49,098)
33	Federal Income Tax Expense	line 32 * 34.00%			(16,693)
34	Total Imputed Income Tax Expense	line 31 + line 33			(20,491)
35	Gross Revenue Conversion Factor	1 / ((1 - .0718) * (1 - .34))			1.6324

Gridley Telephone Company  
 Illinois Universal Service Funding Calculation  
 Based upon ICC Form 23A Report Data for December 31, 2000  
 Material & Supplies Worksheet and Other Information

Line #

1	December-99	\$43,392
2	January-00	\$43,392
3	February-00	\$46,189
4	March-00	\$46,189
5	April-00	\$47,032
6	May-00	\$53,924
7	June-00	\$53,753
8	July-00	\$68,996
9	August-00	\$69,798
10	September-00	\$76,756
11	October-00	\$73,007
12	November-00	\$77,881
13	December-00	\$36,944
14	13 Month Average	\$56,712

## Sale/Lease Back Arrangement

☒

The company does not have any sale(s)/lease back arrangement.

☐

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

## Lease Agreement with Affiliates

☒

The company does not have any lease agreements with affiliates.

☐

The company does have lease agreements with affiliates and has provided additional information to staff.

## Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.



Gridley Telephone Company  
Illinois Universal Service Funding Calculation  
Based upon ICC Form 23A Report Data for December 31, 2000  
Operating Revenues By Category

<u>Line #</u>		<u>Source</u>	<u>Amount</u>
		Form 23A, P 10, Total Local	
1	Local Revenues	Network Service Revenues	\$ 213,125
2	State Subscriber Line Charges	Trial Balance 12/31/00	\$ 194,928
3	State Access Revenues	Trial Balance 12/31/00	\$ 271,958
4	State High Cost Support	Exhibit X, Line 15	\$ 586,344
5	State Special Access Revenues	Trial Balance 12/31/00	\$ 386,173
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	\$ 1,652,528
7	Federal Subscriber Lines Charges	Trial Balance 12/31/00	\$ 74,177
8	Federal Access Revenues	Trial Balance 12/31/00	\$ 418,556
9	Federal High Cost Support	Trial Balance 12/31/00	\$ 409,037
10	Federal Special Access Revenues	Trial Balance 12/31/00	\$ 277,421
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	\$ 1,179,191
12	Misc Revenues	Trial Balance 12/31/00	\$ 94,813
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u>\$ 2,926,532</u>

Docket Nos. 00-0233 & 00-0035 (Consolidated)  
Gridley Telephone Company Exhibit 5  
Schedule 5.01

GRIDLEY TELEPHONE COMPANY Access Revenue Comparison		Part 32 Account Number(s) (Column 2)	Access Rates Effective 7/3/01 (Column 4)	Access Demand (Column 6)	Total Access Revenues (Column 7)
Line #	(Column 1)				
	<b><u>Intrastate Switched Access:</u></b>				
1	Local Switching	5084-200 + 5084-400	\$0.01333	6,418,656	\$85,561
2	Information	5084-220 + 5084-420	\$0.03137	64,187	\$2,014
3	Tandem Switched Transport	5084-210 + 5084-410	\$0.00135	1,219,880	\$1,647
4	Residual Interconnection Charge	5084-225 + 5084-425	\$0.01440	6,418,656	\$92,429
	<b><u>Direct Trunk Transport:</u></b>				
5	Voice Grade Termination		\$38.62	226.56	\$8,750
6	Voice Grade Facility		\$0.67	1,635.76	\$1,096
7	DS1 Termination		\$123.31	28.32	\$3,492
8	DS1 Facility		\$4.38	204.47	\$896
9	Total Direct Trunk Transport	5084-215			\$14,233
10	Total Intrastate Switched Access				\$195,883
	<b><u>Intrastate Special Access:</u></b>				
	<b><u>Voice Grade:</u></b>				
11	Channel Termination - 2-wire		\$21.75	54	\$1,175
12	Channel Termination - 4-wire		\$34.80	12	\$418
13	Channel Mileage Facility		\$0.67	476.52	\$319
14	Channel Mileage Termination		\$38.62	66	\$2,549
	<b><u>Digital Data 2.4 - 19.2:</u></b>				
15	Channel Termination		\$40.14	0	\$0
16	Channel Mileage Facility		\$0.64	0	\$0
17	Channel Mileage Termination.		\$36.69	0	\$0
	<b><u>Digital Data 56k and 64 k:</u></b>				
18	Channel Termination		\$40.14	6	\$241
19	Channel Mileage Facility		\$0.91	43.32	\$39
20	Channel Mileage Termination.		\$51.98	6	\$312
	<b><u>High Capacity DS1:</u></b>				
21	Channel Termination		\$93.15	54	\$5,030
22	Channel Mileage Facility		\$4.38	389.88	\$1,708
23	Channel Mileage Termination.		\$123.31	54	\$6,659
	<b><u>High Capacity DS3:</u></b>				
24	Channel Termination		\$1,080.52	96	\$103,730
25	Channel Mileage Facility		\$30.15	693.12	\$20,898
26	Channel Mileage Termination		\$686.74	96	\$65,927
27	Total Intrastate Special Access	5084-300 + 5084-500			\$209,003
28	Total Intrastate Access Revenues				\$404,887
29	Total Intrastate Switched Access	Per 2000 Trial Balance			\$269,937
30	Total Intrastate Special Access	Per 2000 Trial Balance			\$386,173
31	Total Intrastate Access Revenues	Line 29 + Line 30			\$656,110
32	Adjustment	Line 28 - Line 31			(\$251,223)

GRIDLEY TELEPHONE CO.

TARIFF ILL. C.C. NO. 10  
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17. Rates and Charges (Cont'd)

17.2 Switched Access Service (Cont'd)

17.2.2 Local Transport

Rate

Gridley  
F.C.C. No.1  
Section  
Reference

Premium Access

(A) Reserved For Future Use

(B) Direct Trunked Transport

6.1.3(A) (2)

Direct Trunked Facility

Per Mile

Voice Grade

\$ 0.67 R

High Capacity DS1

\$ 4.38 R

Direct Trunked Termination

Per Termination

Voice Grade

\$ 38.62 R

High Capacity DS1

\$ 123.31 R

(C) Multiplexing

6.1.3(A) (5)

Per Arrangement

DS3 to DS1

\$ 474.31

(D) Reserved For Future Use

(E) Reserved For Future Use

(F) Reserved For Future Use

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17. Rates and Charges (Cont'd)

17.2 Switched Access Service (Cont'd)

Gridley  
F.C.C. No.1  
Section  
Reference

17.2.2 Local Transport (Cont'd)

Rate

Premium Access (Cont'd)

(G) Tandem Switched Transport

6.1.3(A) (3)

Tandem Transport

Per Access Minute

\$0.00135 R

(H) Transport Interconnection Charge

6.1.3(A) (4)

Per Access Minute

\$0.01440 R

(I) Reserved For Future Use

(J) Reserved For Future Use

(K) 800 Data Base Access Service

6.10.3

Per Query

Basic

\$0.00540

Vertical Feature

\$0.00540

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17. Rates and Charges (Cont'd)

17.2 Switched Access Service (Cont'd)

17.2.3 End Office

Rate

Gridley  
F.C.C. No.1  
Section  
Reference

(A) Local Switching

6.1.3(B) (1)

Premium

Per Access Minute

\$0.01333 R

(B) Information Surcharge

6.1.3(B) (2)

Premium

Per 100 Access Minutes

\$0.03137 R

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17. Rates and Charges (Cont'd)

17.3 Special Access Service (Cont'd)

17.3.2 Metallic Service

Regulations concerning Metallic Service are set forth in Section 7.4 of the Gridley Telephone Company Access Service Tariff F.C.C. No. 1.

	<u>Monthly Rate</u>	<u>Nonrecurring Charge</u>
(A) <u>Channel Termination</u>		
Per Termination	\$ 21.75 R	\$ 74.68
(B) <u>Channel Mileage</u>		
(1) <u>Channel Mileage Facility</u> Per Mile	\$ 0.67 R	
(2) <u>Channel Mileage Termination</u> Per Termination	\$ 38.62 R	

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17. Rates and Charges (Cont'd)

17.3 Special Access Service (Cont'd)

17.3.4 Voice Grade Service

Regulations concerning Voice Grade Services are set forth in  
Section 7.6 of the Gridley Telephone Company Access Service Tariff  
F.C.C. No. 1.

	<u>Monthly Rate</u>	<u>Nonrecurring Charge</u>
(A) <u>Channel Termination</u>		
Per Termination		
Two-Wire	\$ 21.75 R	\$ 74.68
Four-Wire	\$ 34.80 R	\$ 74.68
(B) <u>Channel Mileage</u>		
(1) <u>Channel Mileage Facility</u>		
Per Mile	\$ 0.67 R	
(2) <u>Channel Mileage Termination</u>		
Per Termination	\$ 38.62 R	

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GRIDLEY TELEPHONE CO.

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17. Rates and Charges (Cont'd)

17.3 Special Access Service (Cont'd)

17.3.7 Digital Data Service

Regulations concerning Digital Data Service are set forth in  
Section 7.9 of the Gridley Telephone Company Access Service Tariff  
F.C.C. No. 1.

	<u>Monthly Rate</u>	<u>Nonrecurring Charge</u>
(A) <u>Channel Termination</u>		
Per Termination		
2.4 kbps	\$ 40.14 R	\$ 175.00
4.8 kbps	\$ 40.14 R	\$ 175.00
9.6 kbps	\$ 40.14 R	\$ 175.00
19.2 kbps	\$ 40.14 R	\$ 175.00
56.0 kbps	\$ 40.14 R	\$ 175.00
64.0 kbps	\$ 40.14 R	\$ 175.00

(B) Channel Mileage

(1) Channel Mileage Facility  
Per Mile

2.4 kbps	\$ 0.64 R
4.8 kbps	\$ 0.64 R
9.6 kbps	\$ 0.64 R
19.2 kbps	\$ 0.64 R
56.0 kbps	\$ 0.91 R
64.0 kbps	\$ 0.91 R

(2) Channel Mileage Termination  
Per Termination

2.4 kbps	\$ 36.69 R
4.8 kbps	\$ 36.69 R
9.6 kbps	\$ 36.69 R
19.2 kbps	\$ 36.69 R
56.0 kbps	\$ 51.98 R
64.0 kbps	\$ 51.98 R

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17. Rates and Charges (Cont'd)

17.3 Special Access Service (Cont'd)

17.3.8 High Capacity Service

Regulations concerning High Capacity Service are set forth in  
Section 7.10 of the Gridley Telephone Company Access Service  
Tariff F.C.C. No. 1.

	Monthly Rate	Nonrecurring Charge
(A) <u>Channel Termination</u>		
Per Termination		
128 Kbps	\$ 52.45	R \$ 225.00
256 Kbps	\$ 64.75	R \$ 225.00
384 Kbps	\$ 77.06	R \$ 225.00
512 Kbps	\$ 89.36	R \$ 225.00
1.544 Mbps	\$ 93.15	R \$ 225.00
44.736 Mbps	\$1,080.52	R \$2,500.00

(B) Channel Mileage

(1) Channel Mileage Facility

Per Mile	
128 Kbps	\$ 1.74 R
256 Kbps	\$ 2.50 R
384 Kbps	\$ 3.26 R
512 Kbps	\$ 4.01 R
1.544 Mbps	\$ 4.38 R
44.736 Mbps	\$ 30.15 R

(2) Channel Mileage Termination

Per Termination	
128 Kbps	\$ 72.32 R
256 Kbps	\$ 87.89 R
384 Kbps	\$ 103.46 R
512 Kbps	\$ 119.03 R
1.544 Mbps	\$ 123.31 R
44.736 Mbps	\$ 686.74 R

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108 East Third Street  
Gridley, Illinois 61744

EFFECTIVE: July 3, 2001

**Gridley Telephone Company**

Summary of Residential and Business Rates

As of the Year Ended December 31, 2000

Docket Nos. 00-0233 &amp; 00-0035 (Consolidated)

Gridley Telephone Company Exhibit 6.0

Schedule 6.01

Page 1 of 1

Exchange and County	Basic Local Rate	State SLC	Subtotal of Local Rates	E911	ITAC	Federal SLC	Taxes	Total
Gridley - McLean County Residence	\$9.00	\$12.45	\$21.45	\$1.25	\$0.03	\$3.50	\$2.64	\$28.87
Gridley - McLean County Single Line Business	\$10.50	\$12.45	\$22.95	\$1.25	\$0.03	\$3.50	\$2.80	\$30.53
Gridley - McLean County Multi-Line Business	\$10.50	\$12.45	\$22.95	\$1.25	\$0.03	\$6.00	\$3.07	\$33.30
Gridley - Livingston County Residence	\$9.00	\$12.45	\$21.45	\$1.50	\$0.03	\$3.50	\$2.64	\$29.12
Gridley - Livingston County Single Line Business	\$10.50	\$12.45	\$22.95	\$1.50	\$0.03	\$3.50	\$2.80	\$30.78
Gridley - Livingston County Multi-Line Business	\$10.50	\$12.45	\$22.95	\$1.50	\$0.03	\$6.00	\$3.07	\$33.55

Line #	Description	Source	Year 1	Year 5
1	Net Regulated Plant	Form 23A, P 8, Net Plant	\$ 2,270,734	\$ 2,270,734
2	Materials and Supplies Inventory	Page 2, 13-Month Average	56,712	56,712
3	Customer Deposits	Form 23A, P 8, 4040	1,357	1,357
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4	2,326,089	2,326,089
6	Working Capital Requirement			
7	Total Operating Expenses	Form 23A, P 14, Total	2,160,506	2,160,506
8	Less: Depreciation Expense	Form 23A, P 13, 6560	601,265	601,265
9	Total WC Operating Expense	line 7 - line 8	1,559,241	1,559,241
10	WC OE Requirement	line 9 * 45 / 360	194,905	194,905
11	Commission-Ordered Cash Balance Req.		-	-
12	Total Working Capital Requirement	line 10 + line 11	194,905	194,905
13	Total Rate Base	line 5 + line 12	2,520,994	2,520,994
14	Total Operating Revenues	Form 23A, P 11, Total	2,926,532	2,926,532
15	Less: Illinois High Cost Fund		586,344	586,344
15a	Less: Revenue Changes	Gridley Exhibit 4, Schedule 4.01	221,106	221,106
16	Net Restate 2000 Operating Revenues	line 14 - line 15 - line 15a	2,119,082	2,119,082
16a	Staff Proposed Illinois USF	Staff Testimony	215,735	-
16b	Net Operating Revenues	line 16 + line 16a	2,334,817	2,119,082
17	Total Operating Expenses	Form 23A, P 14, Total	2,160,506	2,160,506
18	Other Operating Inc and Exp - Net	Form 23A, P 15, 7100	-	-
19	Other Operating Taxes	Form 23A, P 15, 7240	11,472	11,472
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	162,839	(52,896)
21	Income Tax Expense	line 34	63,082	(20,491)
22	Net Operating Income	line 20 - line 21	99,757	(32,405)
23	Return on Rate Base	line 22 / line 13	3.96%	-1.29%
24	After-tax Cost of Capital		11.21%	11.21%
25	Target Net Operating Income	line 24 * line 13	282,603	282,603
26	Adj to Achieve Target Return on RB	line 25 - line 22	182,846	315,008
27	Gross Revenue Conversion Factor	line 35	1.6324	1.6324
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27	298,478	514,219
29	Calculation of Income Tax Expense			
30	Net Op Inc before Inc Taxes	line 20	162,839	(52,896)
31	Illinois Inc & Rep Tax Expense	line 30 * 7.18%	11,692	(3,798)
32	Net Op Inc before Fed Inc Tax	line 30 - line 31	151,147	(49,098)
33	Federal Income Tax Expense	line 32 * 34.00%	51,390	(16,693)
34	Total Imputed Income Tax Expense	line 31 + line 33	63,082	(20,491)
35	Gross Revenue Conversion Factor	1 / ((1 - .0718) * (1 - .34))	1.6324	1.6324